

CHARLEVOIX PUBLIC LIBRARY

CHARLEVOIX, MICHIGAN

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FINANCIAL STATEMENTS

AND OTHER FINANCIAL INFORMATION

for the year ended June 30, 2010

MASON & KAMMERMANN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
CHARLEVOIX, MICHIGAN

# **Charlevoix Public Library**

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# **MASON & KAMMERMANN, P.C.**

*CERTIFIED PUBLIC ACCOUNTANTS*

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## **INDEPENDENT AUDITOR'S REPORT**

August 25, 2010

Members of the Library Board  
Charlevoix Public Library  
Charlevoix, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Charlevoix Public Library, as of and for the year ended June 30, 2010, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Charlevoix Public Library as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-7 and 24-25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in black ink that reads "Mason & Kammermann, P.C." in a cursive, flowing script.

Mason & Kammermann, P.C.  
Certified Public Accountants

# **Charlevoix Public Library**

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## **Management's Discussion and Analysis August 25, 2010**

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to Charlevoix Public Library's basic financial statements for the fiscal year ended June 30, 2010. The Library's basic financial statements consist of three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Library's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Library's assets and liabilities, the difference between the two being reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Library's financial position is improving or deteriorating.

The Statement of Activities presents information about how the Library's net assets changed during the most recent fiscal year, using the full accrual basis of accounting.

Both government-wide financial statements distinguish functions of the entity that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees. The governmental activities of the Library include a single program function, culture and recreation, and the Debt Service Fund that is reported separately from the general library operations.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Charlevoix Public Library, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Library are classified as governmental funds.

Governmental funds account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

# Charlevoix Public Library

## Management's Discussion and Analysis August 25, 2010

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

### Summary of Net Assets

The following schedule summarizes the net assets at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
<b>Current assets</b>	\$ 904,934	\$ 909,930
<b>Noncurrent assets:</b>		
Capital assets, net accumulated depreciation	8,139,135	8,366,964
Investments	742,178	732,138
Unamortized bond expenses	<u>38,207</u>	<u>40,936</u>
Total noncurrent assets	<u>8,919,520</u>	<u>9,140,038</u>
Total assets	9,824,454	10,049,968
<u>Liabilities and Net Assets</u>		
<b>Current liabilities</b>	386,894	361,513
<b>Noncurrent liabilities:</b>		
Long-term debt, net of current portion	5,865,000	6,180,000
Compensated absences	<u>12,813</u>	<u>10,047</u>
Total noncurrent liabilities	<u>5,877,813</u>	<u>6,190,047</u>
Total liabilities	<u>6,264,707</u>	<u>6,551,560</u>
<b>Net Assets</b>		
Invested in capital assets	1,997,342	1,927,900
Restricted for debt service	109,895	134,384
Unrestricted	<u>1,452,510</u>	<u>1,436,124</u>
Total net assets	<u>\$ 3,559,747</u>	<u>\$ 3,498,408</u>

# Charlevoix Public Library

## Management's Discussion and Analysis August 25, 2010

### Analysis of Financial Position

During the fiscal year ended June 30, 2010, the Library's net assets increased by \$61,339. A few significant factors affecting net assets are discussed below.

#### Depreciation Expense

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with generally accepted accounting principles (GAAP), depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2010, depreciation reported in the Statement of Activities was \$327,128.

#### Capital Outlay Acquisitions

For the fiscal year ended June 30, 2010, expenditures of \$99,299 were capitalized and recorded as assets of the Library. These additions to the Library's capital assets will be depreciated over time as explained above.

### Results of Operations

For the fiscal year ended June 30, 2010 and 2009, the results of operations were:

	<u>2010</u>	<u>% of Total</u>	<u>2009</u>	<u>% of Total</u>
<b>General Revenues</b>				
Property taxes	\$ 1,380,453	85.26%	\$ 1,160,788	75.77%
Investment earnings	16,919	1.05%	14,288	.93%
Penal fines	54,074	3.34%	53,892	3.52%
Donations	76,272	4.71%	177,155	11.56%
State Aid	4,880	.30%	6,399	.42%
Other	52,166	3.22%	55,521	3.62%
Total general revenues	<u>1,584,764</u>	<u>97.88%</u>	<u>1,468,043</u>	<u>95.82%</u>
<b>Program Revenues</b>				
Grants	<u>34,263</u>	<u>2.12%</u>	<u>63,968</u>	<u>4.18%</u>
Total revenues	<u>1,619,027</u>	<u>100.00%</u>	<u>1,532,011</u>	<u>100.00%</u>
<b>Expenses</b>				
Recreation and culture	<u>1,557,688</u>	<u>100.00%</u>	<u>1,455,131</u>	<u>100.00%</u>
Changes in Net Assets	<u>\$ 61,339</u>		<u>\$ 76,880</u>	

# **Charlevoix Public Library**

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## **Management's Discussion and Analysis August 25, 2010**

**Significant revenues and expenses are discussed in the segments below:**

### **1. Property Taxes**

The Library is supported by property taxes levied by the local district, which includes the City of Charlevoix and the Townships of Charlevoix, Eveline, Hayes, Marion and Norwood. Taxes are levied for operations and for debt service relating to the addition and renovation of the new building.

For 2009-2010, the Library recorded \$875,839 in property taxes for operating costs and \$504,614 in property taxes for debt service.

### **2. Donations**

For the fiscal year ended June 30, 2010, donations totaled \$76,272.

### **Comparative Expenditures**

A comparison of program expenditures reported on the Statement of Activities is shown below:

<b>Expenditures</b>	<b>2009-2010 Fiscal Year</b>	<b>2008-2009 Fiscal Year</b>	<b>Increase (Decrease)</b>
Salaries and wages	\$ 460,071	\$ 414,560	\$ 45,511
Employee benefits	134,496	117,133	17,363
Professional services	16,684	18,596	(1,912)
Occupancy	201,866	177,908	23,958
Supplies and materials	78,144	60,006	18,138
Depreciation	327,128	319,603	7,525
Amortization	2,729	2,729	-
Interest and fees	260,446	269,486	(9,040)
Other	76,124	75,110	1,014
Total Expenditures	<u>\$ 1,557,688</u>	<u>\$ 1,455,131</u>	<u>\$ 102,557</u>

### **Financial Analysis of the Library's Funds**

At June 30, 2010, the Library's governmental funds reported combined cash and cash equivalents of \$889,581, a decrease of \$17,827 resulting primarily from an excess of debt service expenditures over revenues received for that specific purpose.

Revenues in the General Fund exceeded expenditures by \$19,152.



# Charlevoix Public Library

## Management's Discussion and Analysis August 25, 2010

The Debt Service Fund had a \$26,113 decrease in its fund balance for the year. This was due to debt service costs in excess of revenues received, as discussed above.

### General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the Board approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the year on June 30. Budget amendments made during the year were approved by the Board prior to year end.

The following schedule shows a comparison of the original fund budget, the final amended budget and actual totals from operations for the General Fund:

	Original Budget	Final Budget	Actual	Variance With Final Budget
Total revenues	\$ 1,025,900	\$ 1,069,000	\$ 1,083,070	\$ 14,070
Total expenditures	1,067,878	1,068,770	1,063,918	(4,852)
Excess (deficiency) of revenues over expenditures	<u>\$ (41,978)</u>	<u>\$ 230</u>	<u>\$ 19,152</u>	<u>\$ 18,922</u>

### Capital Assets

At June 30, 2010, the Library had \$9,788,163 in capital assets, including land, land improvements, buildings, equipment, furniture and fixtures, and books. Depreciation expense for the year totaled \$327,128 bringing the accumulated depreciation to \$1,649,028 as of June 30, 2010.

### Requests for Information

This financial report is designed to provide a general overview of the Library's finances. If you have questions about this report, please contact Charlevoix Public Library, 220 W. Clinton Street, Charlevoix, Michigan 49720.

# Charlevoix Public Library

## Statement of Net Assets June 30, 2010

<u>Assets</u>	<u>Governmental Activities</u>
<b>Current Assets</b>	
Cash and cash equivalents	\$ 889,581
Taxes receivable	2,500
Prepaid expenses	<u>12,853</u>
Total current assets	904,934
<b>Noncurrent Assets</b>	
Capital assets, net of accumulated depreciation	8,139,135
Investments	742,178
Unamortized bond expenses	<u>38,207</u>
Total noncurrent assets	<u>8,919,520</u>
<b>Total assets</b>	9,824,454
 <u>Liabilities and Net Assets</u>	
<b>Current Liabilities</b>	
Accounts payable	28,347
Accrued expenses	1,531
Accrued interest	42,016
Current portion of long-term debt	<u>315,000</u>
Total current liabilities	386,894
<b>Noncurrent Liabilities</b>	
Long-term debt, net of current portion	5,865,000
Compensated absences	<u>12,813</u>
Total noncurrent liabilities	<u>5,877,813</u>
<b>Total liabilities</b>	6,264,707
<b>Net Assets</b>	
Invested in capital assets, net of related debt	1,997,342
Restricted for debt service	109,895
Unrestricted	<u>1,452,510</u>
<b>Total net assets</b>	<u><u>\$ 3,559,747</u></u>

The accompanying notes are a part of the financial statements.

# Charlevoix Public Library

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## Statement of Activities For The Year Ended June 30, 2010

	<u>Expenses</u>
<b>Recreation and Culture</b>	
Salaries	\$ 460,071
Employee benefits	134,496
Professional services	16,684
Occupancy	201,866
Supplies and materials	78,144
Depreciation	327,128
Amortization	2,729
Interest and fees	260,446
Other	<u>76,124</u>
Total program expenses	1,557,688
<b>Program Revenues</b>	
Grants	<u>34,263</u>
Net program expenses	(1,523,425)
<b>General Revenues</b>	
Property taxes - general operating	875,839
Property taxes - debt service	504,614
Investment earnings	16,919
Penal fines	54,074
State aid	4,880
Donations	76,272
Other	<u>52,166</u>
Total general revenues	<u>1,584,764</u>
<b>Change in Net Assets</b>	61,339
<b>Net Assets - July 1, 2009</b>	<u>3,498,408</u>
<b>Net Assets - June 30, 2010</b>	<u><u>\$ 3,559,747</u></u>

The accompanying notes are a part of the financial statements.

# Charlevoix Public Library

## Governmental Funds Balance Sheet June 30, 2010

<u>Assets</u>	<u>General Fund</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 761,663	\$ 127,918	\$ 889,581
Taxes receivable	1,650	850	2,500
Prepaid expenses	12,853	-	12,853
Due from General Fund	-	23,143	23,143
Investments	742,178	-	742,178
<b>Total assets</b>	<b>\$ 1,518,344</b>	<b>\$ 151,911</b>	<b>\$ 1,670,255</b>
 <b><u>Liabilities and Fund Balances</u></b>			
Liabilities:			
Accounts payable	\$ 28,347	\$ -	28,347
Accrued expenses	1,531	-	1,531
Due to Debt Service Fund	23,143	-	23,143
<b>Total liabilities</b>	<b>53,021</b>	<b>-</b>	<b>53,021</b>
Fund Balances:			
Reserved	742,178	151,911	894,089
Unreserved	723,145	-	723,145
<b>Total fund balances</b>	<b>1,465,323</b>	<b>151,911</b>	<b>1,617,234</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,518,344</b>	<b>\$ 151,911</b>	<b>\$ 1,670,255</b>

The accompanying notes are a part of the financial statements.

# **Charlevoix Public Library**

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## **Governmental Funds Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets June 30, 2010**

Total Governmental Fund Balances \$ 1,617,234

Amounts reported for governmental activities in the Statement  
of Net Assets are different because:

Capital assets and unamortized expenses used in governmental activities are  
not financial resources and are not reported in the governmental funds  
balance sheet

Cost of capital assets	\$ 9,788,163	
Accumulated depreciation	<u>(1,649,028)</u>	
		8,139,135

Unamortized bond expenses	38,207
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Long term liabilities are not due and payable in the current period and are  
not reported in the governmental funds balance sheet

Bonds payable	(5,865,000)
Current maturities of debt, due in one year	(315,000)

Compensated absences are included as a liability on the statement of net assets

Compensated absences	(12,813)
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Interest payments on long-term liabilities are not due and payable in the  
current period and are not reported in the governmental funds balance sheet

Accrued interest	<u>(42,016)</u>
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<b>Net Assets of Governmental Activities</b>	<b><u><u>\$ 3,559,747</u></u></b>
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The accompanying notes are a part of the financial statements.

# Charlevoix Public Library

## Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances For The Year Ended June 30, 2010

	General Fund	Debt Service	Total Governmental Funds
<b>Revenues:</b>			
Local Sources			
Property tax levy	\$875,839	\$ 504,614	\$1,380,453
Earnings on investments and deposits	15,576	1,343	16,919
Grants	4,263	30,000	34,263
Donations	76,272	-	76,272
Other	52,166	-	52,166
Intermediate Sources			
Penal fines	54,074	-	54,074
State Sources			
State aid	4,880	-	4,880
	<hr/>	<hr/>	<hr/>
Total revenues	1,083,070	535,957	1,619,027
<b>Expenditures:</b>			
Salaries	457,305	-	457,305
Employee fringe benefits	134,496	-	134,496
Professional services	16,684	-	16,684
Occupancy	201,866	-	201,866
Supplies and materials	78,144	-	78,144
Capital outlay	99,299	-	99,299
Debt Service:			
Principal	-	300,000	300,000
Interest and fees	-	262,070	262,070
Other	76,124	-	76,124
	<hr/>	<hr/>	<hr/>
Total expenditures	1,063,918	562,070	1,625,988
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	19,152	(26,113)	(6,961)
<b>Fund Balances - July 1, 2009</b>	<hr/>	<hr/>	<hr/>
	1,446,171	178,024	1,624,195
<b>Fund Balances - June 30, 2010</b>	<hr/>	<hr/>	<hr/>
	\$ 1,465,323	\$ 151,911	\$ 1,617,234

The accompanying notes are a part of the financial statements.

# **Charlevoix Public Library**

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## **Governmental Funds Reconciliation of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities For The Year Ended June 30, 2010**

Net Change in Fund Balances - Total Governmental Funds	\$ (6,961)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays and intangible assets as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation or amortization in the statement of net assets.

Depreciation expense	(327,128)
Capital outlay	99,299

Amortization expense	(2,729)
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Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)

Bond payable payment	300,000
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Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid

Accrued interest	1,624
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Compensated Absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Compensated absences	<u>(2,766)</u>
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<b>Changes in Net Assets - Governmental Activities</b>	<b><u>\$ 61,339</u></b>
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The accompanying notes are a part of the financial statements.

# **Charlevoix Public Library**

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## **Notes to the Financial Statements For the Year Ended June 30, 2010**

### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Reporting Entity**

The Charlevoix Public Library was established as a District Library on July 1, 1997, by agreement between Charlevoix Public School, City of Charlevoix, and Townships of Charlevoix, Eveline, Hayes, Marion and Norwood pursuant to the District Library Establishment Act. The Library Board consists of seven members, appointed one each by the governmental entities creating the District. Prior to July 1, 1997, the Library was operated as a fund of the Charlevoix Public School District.

The Library's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No.14.

#### **B. Government-wide and Fund Financial Statements**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Library as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The Library has two governmental funds titled the General Fund and Debt Service Fund.

#### **C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The accounts of the Library are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.



# **Charlevoix Public Library**

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## **Notes to the Financial Statements For the Year Ended June 30, 2010**

### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Accrual Method**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

#### **Modified Accrual Method**

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the Library receives cash.

The Library reports the following major governmental funds:

The General Fund is the primary operating fund of the Library. It is used to account for all financial resources of the Library.

The Debt Service Fund is used to account for the annual payments of principal, interest and expenses in connection with Library facility renovation and addition.

# **Charlevoix Public Library**

## **Notes to the Financial Statements For the Year Ended June 30, 2010**

### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **D. Assets, Liabilities and Equity**

##### **1. Cash and Investments**

- (l) The investment policy of the Library allows it to invest in instruments allowed by State of Michigan statutes. State statutes authorize the Library to invest funds as follows:
  - (a) In bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States
  - (b) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (II)
  - (c) In commercial paper rated at the time of purchase with the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase
  - (d) In repurchase agreements consisting of instruments listed in subdivision (a).
  - (e) In banker's acceptances of United States banks.
  - (f) In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
  - (g) In mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat, 789, 15 U.S.C. 80a-1 to 80a-3 to 80a-74, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
    - a. The purchase of securities on a when-issued or delayed delivery basis.
    - b. The ability to lend portfolio securities as long as the mutual fund received collateral at all times equal to at least 100% of the value of the securities loaned.
    - c. The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes

# **Charlevoix Public Library**

## **Notes to the Financial Statements For the Year Ended June 30, 2010**

### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- (h) In obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA7, MCL 124.501 to 124.512.
- (i) In investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.
- (II) Assets acceptable for pledging to secure deposits of public funds are limited to assets authorized for direct investment under subsection (I).
- (III) As used in this section, "financial institution" means a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this state under the laws of this state or the United States.

### **2. Capital Assets**

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Books	7 years
Furniture and Fixtures	10 years
Equipment	5 years
Land Improvements	20 years
Buildings	50 years

The Library's capitalization policy is to capitalize all books and other individual amounts exceeding \$500.

# **Charlevoix Public Library**

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## **Notes to the Financial Statements For the Year Ended June 30, 2010**

### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **3. Compensated Absences**

It is the Library's policy to permit employees to accumulate earned but unused vacation pay benefits. A liability for these amounts is reported in the government wide financial statements; however, a liability is only recorded in governmental fund financial statements if they have matured, for example, as a result of employee resignations or retirements.

#### **4. Fund Equity**

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### **5. Use of Estimates**

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expense during the reporting period. Actual results could differ from those estimates.

#### **6. Long-Term Obligations**

In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net assets.

### **II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

#### **A. Budgetary Information**

The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

An operating budget is prepared annually. The operating budget includes proposed expenditures and the means of financing them.

Prior to the start of the fiscal year that it covers, the Library Board approves the budget.

The Library Board must approve all transfers of budget amounts between accounts within the General Fund.

# **Charlevoix Public Library**

## **Notes to the Financial Statements For the Year Ended June 30, 2010**

### **II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)**

The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the Library board.

Budget appropriations lapse at the end of the fiscal year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) lapse at year-end and do not constitute expenditures or liabilities because the commitments will generally be reappropriated and honored during the subsequent year.

### **III. DETAILED NOTES ON GENERAL FUND AND ACCOUNT GROUP**

#### **A. Deposits and Investments**

The Library's deposits are invested with four locally represented banks. In addition, the library has established an investment arrangement with a local community foundation.

Following is a breakdown of the deposits and investments.

Deposits – At year-end, the Library's bank balance of cash and cash equivalents totaled \$889,581 and included bank checking, savings and money market accounts and certificates of deposits with initial maturities of 90 days or less.

Investments – Certificates of deposits with initial maturities greater than 90 days totaled \$557,059. In addition, the Library has invested funds with the Charlevoix County Community Foundation for future capital and organizational improvements. They are valued at \$185,119, which represents their market value at year-end.

Amounts on deposit in bank accounts and invested in certificates of deposit totaled \$1,446,640, of which \$1,052,970 was covered by federal depository insurance.

#### **B. Capital Assets**

Capital assets were reclassified at the beginning of the year according to asset use. Total beginning fixed assets remained the same at \$9,688,864. Depreciation expense for the year ended June 30, 2009 increased by \$34,679, and accumulated depreciation on June 30, 2008 was increased by \$58,446 to reflect the shorter useful lives based on the reclassified uses.

# Charlevoix Public Library

## Notes to the Financial Statements For the Year Ended June 30, 2010

### III. DETAILED NOTES ON GENERAL FUND AND ACCOUNT GROUP (CONTINUED)

A summary of changes in the Library's capital assets follows:

	Balance at July 1, 2009	Additions	Retirements	Balance at June 30, 2010
Undepreciable Assets, Land	\$ 325,000	\$ -	\$ -	\$ 325,000
Depreciable Assets:				
Land improvements	565,409	8,635	-	574,044
Building & improvements	6,749,755	-	-	6,749,755
Equipment	302,134	-	-	302,134
Furniture and Fixtures	858,001	36,498	-	894,499
Book Collection	888,565	54,166	-	942,731
Total Capital Assets	9,688,864	99,299	-	9,788,163
Less Accumulated Depreciation	(1,321,900)	(327,128)	-	(1,649,028)
Total Capital Assets	\$ 8,366,964	\$ (227,829)	\$ -	\$ 8,139,135

Depreciation for the fiscal year ended June 30, 2010 totaled \$327,128.

#### C. Other Assets

Bond issue expenses are being amortized using the straight-line method over the term of the bonds. The Statement of Activities reflects \$2,729 for the amortization of the bond issue expense for the year.

#### D. Property Taxes

Property taxes levied by the various municipalities are periodically remitted to the Library. Property taxes are assessed as of January 1<sup>st</sup> and billed on December 1<sup>st</sup>. Unpaid taxes become delinquent as of February 14<sup>th</sup> and are subject to penalties and interest after that date.

For the year ended June 30, 2010, the Municipalities levied the following amount per \$1,000 of taxable valuation:

PURPOSE	MILLS
General Operating	.4440
General Operating	.6339
Debt Service	.6200

# Charlevoix Public Library

## Notes to the Financial Statements For the Year Ended June 30, 2010

### III. DETAILED NOTES ON GENERAL FUND AND ACCOUNT GROUP (CONTINUED)

Charlevoix County, in which the Library is located, has a tax revolving fund which allows the county to pay off the various taxing units for their share of the current year real property taxes returned delinquent. As of June 30, 2010, the Library had taxes receivable for personal property taxes in the amount of \$2,500.

#### E. Grants

The City of Charlevoix Downtown Development Authority approved a grant of \$30,000 to assist the Library with debt service costs. In addition, grant revenues of \$4,263 were received from various donors.

#### F. Long-Term Debt

Long-term debt transactions for the Library for the year ended June 30, 2010, are summarized as follows:

	<b>Bonds Payable</b>
Long-term debt payable at July 1, 2009	\$6,480,000
Additions	-
Repayment	<u>(300,000)</u>
Long-term debt payable at June 30, 2010	<u><u>\$6,180,000</u></u>

#### General Obligation Bonds

Building and site bonds of \$7,450,000 issued September 2004, due in annual installments remaining of \$315,000 to \$590,000 through May, 2024; interest at 3.5 percent to 4.5 percent.

\$ 6,180,000.

# Charlevoix Public Library

## Notes to the Financial Statements For the Year Ended June 30, 2010

### III. DETAILED NOTES ON GENERAL FUND AND ACCOUNT GROUP (CONTINUED)

#### Debt Service Requirements

Annual debt service requirements to service bonds outstanding, including both principal and interest, as of June 30, 2010 are as follows:

Year Ending 6/30	Principal Due	Interest Due	Repayments Remaining
2011	315,000	252,095	567,095
2012	330,000	241,070	571,070
2013	350,000	229,520	579,520
2014	365,000	216,395	581,395
2015	385,000	202,707	587,707
2016-2020	2,230,000	770,865	3,000,865
2021-2024	2,205,000	251,078	2,456,078
	<u>\$ 6,180,000</u>	<u>\$ 2,163,730</u>	<u>\$ 8,343,730</u>

Total interest and fees paid during the year on bonds totaled \$262,070.

#### G. Compensated Absences Liability

Employees of the Library are entitled to paid vacation days depending on job classification, length of service and other factors. At June 30, 2010, the accrued expense for compensated absences was \$12,813. This liability is recorded only in the government-wide financial statements as a noncurrent liability.

	COMPENSATED ABSENCES
Compensated Absences at July 1, 2009	\$ 10,047
Net Increase/(Decrease)	<u>2,766</u>
Compensated Absences at June 30, 2010	<u>\$ 12,813</u>

#### H. Fund Equity Reservations and Designations

The General Fund has reserved \$185,119 for future capital and organizational needs.

The Debt Service Fund has \$151,911 reserved for repayment of long-term debt.



# **Charlevoix Public Library**

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## **Notes to the Financial Statements For the Year Ended June 30, 2010**

### **IV. OTHER INFORMATION**

#### **A. Employee Retirement System**

Charlevoix Public Library has adopted a retirement plan for eligible employees. The plan is administered by ICMA Retirement Corporation and is a defined contribution money purchase plan. Currently under this plan, the Library contributes on behalf of full-time contracted employees 9 to 11 percent of the employee's regular wages (not including overtime and bonuses). The amount contributed for the year ended June 30, 2010 was \$24,070. Other employees are eligible to participate in this plan, but the Library is not obligated to make contributions on their behalf.

#### **B. Risk Management**

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Library participates in two pools of municipalities within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The Library pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The Library has not been informed of any special assessments being required in the past years.

The Library continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

# Charlevoix Public Library

## Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - General Fund For The Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
<b>Revenues:</b>				
Local Sources:				
Property tax levy	\$ 875,500	\$ 874,600	\$ 875,839	\$ 1,239
Earnings on investments and deposits	11,000	11,000	15,576	4,576
Grants	10,000	5,400	4,263	(1,137)
Donations	30,400	72,000	76,272	4,272
Other:				
Friends of library	17,000	20,000	20,130	130
Copy machine receipts	3,800	3,800	4,899	1,099
Room rentals	7,500	7,500	8,992	1,492
Book fines	10,500	10,500	10,110	(390)
Refunds and reimbursements	3,000	3,000	7,180	4,180
Miscellaneous	2,200	2,200	855	(1,345)
Total other	44,000	47,000	52,166	5,166
Intermediate Sources,				
Penal fines	50,000	54,000	54,074	74
State Sources,				
State of Michigan	5,000	5,000	4,880	(120)
<b>Total revenues</b>	1,025,900	1,069,000	1,083,070	14,070
<b>Expenditures:</b>				
Salaries				
Director	65,000	65,068	65,446	378
Other	390,997	381,932	391,859	9,927
Total salaries	455,997	447,000	457,305	10,305
Employee Fringe Benefits				
Employee insurance	65,000	64,794	68,645	3,851
Retirement	25,000	24,070	24,070	-
Social security	35,000	33,736	28,699	(5,037)
Unemployment	10,206	9,400	10,359	959
Worker's compensation	4,000	4,000	2,723	(1,277)
Total employee fringe benefits	139,206	136,000	134,496	(1,504)
Professional services	20,000	20,000	16,684	(3,316)

# Charlevoix Public Library

## Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - General Fund For The Year Ended June 30, 2010

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Over (Under)</b>
Occupancy				
Cleaning services	48,270	48,270	47,839	(431)
Utilities	92,000	97,850	87,382	(10,468)
Insurance - property and liability	9,735	10,000	8,724	(1,276)
Repairs and maintenance	35,000	46,980	57,921	10,941
Total occupancy	185,005	203,100	201,866	(1,234)
Supplies and Materials				
Periodicals	9,000	8,500	9,097	597
Postage	6,500	6,000	5,431	(569)
Audio visual	16,000	15,500	15,824	324
Electronic subscriptions	11,000	9,500	10,622	1,122
Other supplies	30,000	28,000	37,170	9,170
Total supplies and materials	72,500	67,500	78,144	10,644
Other Operating Expenses				
Travel	9,500	10,500	11,167	(667)
Printing and publishing	16,500	14,500	14,611	(111)
Dues and fees	23,100	20,100	15,884	4,216
Refund of prior year property taxes	1,000	3,400	4,917	(1,517)
Programming	37,400	21,000	23,189	(2,189)
Grants	10,000	3,000	3,508	(508)
Miscellaneous	3,800	3,500	2,848	652
Total other operating expenses	73,600	76,000	76,124	124
Capital outlay	121,570	119,170	99,299	(19,871)
<b>Total expenditures</b>	<b>1,067,878</b>	<b>1,068,770</b>	<b>1,063,918</b>	<b>(4,852)</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(41,978)</b>	<b>230</b>	<b>19,152</b>	<b>18,922</b>
<b>Fund Balance - July 1, 2009</b>	<b>1,446,171</b>	<b>1,446,171</b>	<b>1,446,171</b>	<b>-</b>
<b>Fund Balance - June 30, 2010</b>	<b>\$ 1,404,193</b>	<b>\$ 1,446,401</b>	<b>\$ 1,465,323</b>	<b>\$ 18,922</b>

# **MASON & KAMMERMANN, P.C.**

*CERTIFIED PUBLIC ACCOUNTANTS*

**HUGH E. MASON**  
**VELDA K. KAMMERMANN**

110 Park Avenue  
Charlevoix, Michigan 49720  
Telephone (231) 547-4911  
Facsimile (231) 547-5911

August 25, 2010

To the Board of Trustees  
Charlevoix Public Library

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Charlevoix Public Library for the year ended June 30, 2010. Professional standards also require that we communicate to you the following information related to our audit.

## **Our Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated July 1, 2010, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

## **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Charlevoix Public Library are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2010. We noted no transactions entered into by the Library during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing our audit.

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Material misstatements detected as a result of our audit procedures were unrecorded accounts payable, prepaid expenses and debt service activity.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated August 25, 2010.

### **Consultations with Other Independent Accountants**


In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Library's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Trustees and management of Charlevoix Public Library and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

  
Mason & Kammermann, P.C.  
Certified Public Accountants

# MASON & KAMMERMANN, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

HUGH E. MASON  
VELDA K. KAMMERMANN

110 Park Avenue  
Charlevoix, Michigan 49720  
Telephone (231) 547-4911  
Facsimile (231) 547-5911

August 25, 2010

To the Library Board  
Charlevoix Public Library  
Beaver Island, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Charlevoix Public Library as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered Charlevoix Public Library's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in the Library's internal control to be material weaknesses:

## **Segregation of Duties**

A properly designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll, from authorization and approval of transactions and account reconciliations. The small size of the administrative staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected during normal activities.

## **Preparation of Financial Statements**

During the course of our audit, it was noted employees and/or management have limited technical expertise to prepare the Library's financial statements and notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. The preparation of the Library's financial statements and notes in accordance with accounting principles generally accepted in the United States of America is the responsibility of management. Management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to the financial statements, in conforming with accounting principles generally accepted in the United States of America.

The Library, as is common with smaller entities, has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Library's ability to prepare financial statements in accordance with accounting principles generally accepted in the United States of America is based, in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal controls.

The result of this condition is that the Library lacks internal controls over the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and instead relies, in part, on its external auditors for assistance with this task.

This communication is intended solely for the information and use of management, the Board of Trustees, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink that reads "Mason & Kammermann, PC". The signature is written in a cursive, flowing style.

Mason & Kammermann, P.C.  
Certified Public Accountants